

## Satisfactory performance in 2019 with strong investment returns for customers

*Danica Pension's financial performance for 2019 mainly benefitted from strong investment results, the integration of the former SEB Pension Denmark and the sale of the Swedish business activities.*

For 2019, Danica Pension reported a profit after tax and discontinued operations of DKK 2,271 million, against a profit of DKK 1,081 million for 2018.

The profit lift was in part due to the sale of Danica Pension Sweden, which was finally approved in 2019. The profit from the sale of the Swedish business was DKK 1.3 billion. The performance also benefitted from positive investment results and from the addition of Danica Pensionsforsikring (formerly SEB Pension in Denmark).

On the other hand, the performance was adversely affected by Danica Pension's DKK 800 million impairment loss on goodwill relating to the acquisition of SEB Pension in Denmark. The impairment was a result of regulatory changes leading to increased capital requirements. Other factors detracting from the performance were a loss on the health and accident business and non-recurring expenses related to changes in the calculation of value adjustment (VA) in connection with the measurement of technical provisions.

Ole Krogh Petersen, Chief Executive Officer, comments on the Danica Group's financial statements:

On balance, 2019 was an eventful and a good year with satisfactory financial results. I am particularly pleased that we were able to welcome 200,000 new customers from SEB Pension in Denmark in a successful integration, that we delivered some of the market's highest net returns and that we have taken significant steps towards fulfilling our ambition of being our customers' financial security provider.

### **Investment returns among the market's highest**

In 2019, Danica Pension's customers saw good net returns. Customers with Danica Balance medium risk profile with 20 years to retirement had a return of 19.7% after expenses. In all risk profiles, Danica Pension's returns were some of the highest among Danish pension providers.

"It is important that we can deliver attractive net returns, as this enhances our customers' sense of security concerning their pension schemes. It is essential to look at returns over a period of several years, and we are satisfied that since we introduced our new investment strategy on 1 January 2016, we have provided our customers with attractive and competitive net returns," says Ole Krogh Petersen.

### **Decline in premiums**

Total premiums fell from DKK 44.1 billion in 2018 to DKK 33.6 billion in 2019. The primary factor in the decline was the sale of Danica Pension Sweden, which accounted for DKK 14.2 billion in 2018 against DKK 4.0 billion in 2019. Total premiums for continuing operations were down 2% from DKK 27.6 billion in 2018 to DKK 27.0 billion in 2019.

"Welcoming 200,000 new customers from the former SEB Pension in Denmark to Danica Pension has been a very important, exiting and massive task. We prioritised and focused on retaining and servicing our existing customers, both those from the former SEB Pension in Denmark and those from Danica Pension. This meant that we focused less on attracting new customers, and as a result we saw a drop in single premiums compared with 2018. But Danica Pension's position in the market, is much stronger today" says Ole Krogh Petersen.

**Unsatisfactory loss on health and accident business**

The loss on Danica Pension's health and accident business grew bigger after the integration of the former SEB Pension in Denmark, which had a loss-making health and accident business like the rest of the industry. For 2019, the loss was DKK 888 million, compared with a loss of DKK 633 for 2018, in part due to fewer reactivations.

"The size of the loss on our health and accident business is unsatisfactory, and this is something we have to change, but we expect to face a long haul before we are able to reach an acceptable level" states Ole Krogh Petersen. He continues:

"We will not compromise on the quality of our health and accident solutions, on the contrary. Bearing in mind that about one in three women and one in five men need to use their loss of earning capacity insurance at some point of their lives, we must develop the best healthcare and prevention products and offer insurance covers that provide financial security for our customers if they lose their ability to work", says Ole Krogh Petersen.

**Goodwill impairment loss on SEB Pension in Denmark**

In 2019, Danica Pension recognised a DKK 800 million impairment loss on goodwill in relation to the acquisition of SEB Pension in Denmark, which was announced in December 2017, approved in 2018 and finalised in 2019. The impairment was due to regulatory changes to the calculation of the solvency requirement. The changes, which were made after the acquisition of SEB Pension in Denmark, result in Danica Pension's capital requirements being increased as from 2020.

"What is essential to us is that our acquisition of SEB Pension strengthens our offering of pension and insurance solutions to our customers and that it is a good investment – both of which are true," says Ole Krogh Petersen.

**We will invest DKK 100 billion in the green transition**

To Danica Pension, there is a strong correlation between green investments and attractive returns for our customers because of the huge global demand for green solutions. It is thus our ambition to have invested DKK 100 billion in the green transition by 2030.

"We are confident that investing in the green transition goes hand in hand with delivering attractive returns for our customers – which is, of course, imperative. We expect our growing investments in green projects, funds or companies to yield financial security for our customers by way of attractive returns, while at the same time contributing to the transition towards a sustainable world for future generations," explains Ole Krogh Petersen.

In the first half of 2020, Danica Pension will present a number of specific goals within sustainability and societal impact – one of our key strategic focus areas.

DKK billions	2019	2018
Premiums	33.6	44.1
Premiums in Denmark	27.0	27.6
Return on customer funds - Danica Balance Mix, medium risk profile and 20 years to retirement (%)	19.7	-7.0
Return on customer funds - unit-linked in Denmark (%)	15.6	-5.5
Return on customer funds - Danica Pension Traditionel (%)	10.3	1.7
Return on customer funds - Danica Pension Traditionel after change in additional provisions, (%)	6.5	2.5
Expenses as a percentage of provisions, Denmark	0.31	0.33
Profit after tax and discontinued operations	2,271	1,081
Total pension assets*	479	480

\*Total pension assets at 31 December 2018 included Danica Pension Sweden in the amount of DKK 64 billion.

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Solvency ratio disclosure			
31 December 2019	Danica Pension Livsforsikringsaktieselskab	Danica Pension Group	Danica Group
SCR (DKKm)	13,632	13,800	13,343
Solvency rate	201%	198%	190%

#### Summary of Danica's subordinated loan capital

Issuer	Danica Pension Livsforsikringsaktieselskab
Securities code (ISIN)	XS1117286580
Amount	EUR 500 m
Coupon	4.375 % p.a
Issued	29 September 2015
Matures	29 September 2045
First call date	29 September 2025
Rate of interest will reset on	29 September 2025